

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 437 - HB 1066

March 21, 2021

SUMMARY OF BILL: Exempts from the sales and use tax, tangible personal property purchased by or for the construction or maintenance needs of local education agencies (LEAs).

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$8,204,900/FY21-22 and Subsequent Years

Decrease Local Revenue - \$3,348,200/FY21-22 and Subsequent Years

Decrease Local Expenditures - \$11,553,100/FY21-22 and Subsequent Years

Assumptions:

- According to the Department of Education's 2020 Annual Statistical Report, \$407,204,999 was spent on building construction and improvements for the year.
- It is estimated that approximately a third of this total, or \$134,377,650 ($\$407,204,999 \times 33\%$), is attributable to expenses with a sales and use tax liability.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Therefore, the total taxable amount of expenses which would not include sales and use tax would be \$121,611,773 [$\$134,377,650 \times [100\% - (7.0\% + 2.5\%)]$].
- The recurring decrease in state revenue to the General Fund in FY21-22 and subsequent years is estimated to be \$8,204,915 [$(\$121,611,773 \times 7.0\%) - (\$121,611,773 \times 7.0\% \times 3.617\%)$].
- The recurring decrease in local revenue in FY21-22 and subsequent years is estimated to be \$3,348,203 [$(\$121,611,773 \times 2.75\%) + (\$121,611,773 \times 7.0\% \times 3.617\%)$].
- Savings realized by contractors and subcontractors will be passed along to LEAs.
- A total recurring decrease in local government expenditures for LEAs of \$11,553,118 ($\$8,204,915 + \$3,348,203$).
- No change to Basic Education Program funding.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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